



# House of Representatives

General Assembly

**File No. 105**

January Session, 2015

House Bill No. 6375

*House of Representatives, March 19, 2015*

The Committee on Veterans' Affairs reported through REP. HENNESSY of the 127th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## **AN ACT ESTABLISHING A VETERANS TO AGRICULTURE PROGRAM.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (63) of section 12-412 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (63) (A) Sales of and the storage, use or other consumption of  
5 tangible personal property exclusively for use in agricultural  
6 production, as defined in this subsection, by a farmer engaged in  
7 agricultural production as a trade or business and to whom the  
8 Department of Revenue Services has issued a farmer tax exemption  
9 permit, provided such farmer's gross income from such agricultural  
10 production, as reported for federal income tax purposes, shall have  
11 been (i) not less than two thousand five hundred dollars for the  
12 immediately preceding taxable year, or (ii) on average, not less than  
13 two thousand five hundred dollars for the two immediately preceding  
14 taxable years.

15 (B) The Commissioner of Revenue Services shall adopt regulations  
16 in accordance with chapter 54 requiring periodic registration for  
17 purposes of the issuance of farmer tax exemption permits, including (i)  
18 a procedure related to the application for such permit, such application  
19 to include a declaration, prescribed as to form by the Commissioner of  
20 Revenue Services and bearing notice to the effect that false statements  
21 made in such declaration are punishable, to be signed by the applicant,  
22 and (ii) a form of notice concerning the penalty for misuse of such  
23 permit.

24 (C) As used in this subsection, (i) "agricultural production" means  
25 engaging, as a trade or business, in (I) the raising and harvesting of  
26 any agricultural or horticultural commodity, (II) dairy farming, (III)  
27 forestry, (IV) the raising, feeding, caring for, shearing, training or  
28 management of livestock, including horses, bees, poultry, fur-bearing  
29 animals or wildlife or (V) the raising and harvesting of fish, oysters,  
30 clams, mussels or other molluscan shellfish; and (ii) "farmer" means  
31 any person engaged in agricultural production as a trade or business.

32 (D) The Department of Revenue Services may issue a farmer tax  
33 exemption permit to a farmer, notwithstanding the fact that, in the  
34 farmer's immediately preceding taxable year, such farmer's gross  
35 income from agricultural production engaged in as a trade or business  
36 may have been less than two thousand five hundred dollars, provided  
37 (i) such farmer purchased, during such farmer's current or  
38 immediately preceding taxable year, an agricultural trade or business  
39 from a seller who was issued a farmer tax exemption permit by such  
40 department at the time of such purchase and [(ii)] such agricultural  
41 production shall be carried on as a trade or business by such purchaser  
42 during the period commencing upon the purchase and ending two  
43 years after the date of purchase, or (ii) such farmer is a veteran, as  
44 defined in section 27-103, who has never engaged in agricultural  
45 production or who has engaged in agricultural production for less  
46 than two years. Such purchaser shall be liable for the tax otherwise  
47 imposed, during the period commencing upon such purchase and  
48 ending two years after the date of purchase, if such agricultural

49 production is not carried on as a trade or business by such purchaser  
50 during the period commencing upon such purchase and ending two  
51 years after the date of purchase.

52 (E) (i) The Department of Revenue Services, under such regulations  
53 as the Commissioner of Revenue Services may adopt in accordance  
54 with the provisions of chapter 54, may issue a farmer tax exemption  
55 permit to an applicant, provided such applicant has satisfied the  
56 commissioner that the applicant intends to carry on agricultural  
57 production as a trade or business for at least two years,  
58 notwithstanding the fact that the applicant was not engaged in  
59 agricultural production as a trade or business in the immediately  
60 preceding taxable year or, if the applicant was engaged in agricultural  
61 production as a trade or business in the immediately preceding taxable  
62 year, notwithstanding the fact that the applicant's gross income from  
63 such agricultural production, as reported for federal income tax  
64 purposes, was less than two thousand five hundred dollars for the  
65 immediately preceding taxable year or, on average, less than two  
66 thousand five hundred dollars for the two immediately preceding  
67 taxable years.

68 (ii) Such applicant shall be liable for the tax imposed under this  
69 chapter during the period commencing upon the issuance of the  
70 permit and ending two years after the date of issuance of the permit if  
71 agricultural production is not carried on as a trade or business by such  
72 applicant during such entire period.

73 (iii) Such applicant shall also be liable for the tax otherwise  
74 imposed, during the period commencing upon the issuance of the  
75 permit and ending two years after the date of issuance of the permit, if  
76 (I) such applicant's gross income from such agricultural production, as  
77 reported for federal income tax purposes, is less than two thousand  
78 five hundred dollars for the immediately preceding taxable year or, on  
79 average, less than two thousand five hundred dollars for the two  
80 immediately preceding taxable years, and (II) such applicant's  
81 expenses from such agricultural production, as reported for federal

82 income tax purposes, are less than two thousand five hundred dollars  
83 for the immediately preceding taxable year or, on average, less than  
84 two thousand five hundred dollars for the two immediately preceding  
85 taxable years.

86 (iv) Any applicant liable for tax under clause (ii) or (iii) of this  
87 subparagraph shall not be eligible to be issued another permit under  
88 clause (i) of this subparagraph.

89 Sec. 2. Section 22-26l of the general statutes is repealed and the  
90 following is substituted in lieu thereof (*Effective from passage*):

91 (a) The Department of Agriculture shall establish and administer a  
92 Connecticut Farm Link program to establish a database of farmers and  
93 agricultural land owners who intend to sell their farm operations or  
94 agricultural land. The database shall be maintained by the Department  
95 of Agriculture and shall be made available to the public on the  
96 department's web site. Persons interested in starting an agricultural  
97 business or persons interested in expanding a current agricultural  
98 business may notify the department and have their names, contact  
99 information and intentions regarding such businesses placed on the  
100 web site. The department shall make reasonable efforts to facilitate  
101 contact between parties with similar interests, including, but not  
102 limited to, growing and processing crops as feedstock for biodiesel  
103 heating and transportation fuels. The Department of Agriculture shall  
104 collaborate with the Department of Veterans' Affairs and the Labor  
105 Department to encourage and assist veterans in starting or expanding  
106 an agricultural business and to provide education and training  
107 opportunities to veterans concerning farming or agricultural  
108 operations.

109 (b) The Department of Agriculture shall post educational materials  
110 regarding the Connecticut Farm Link program on the department's  
111 web site, including, but not limited to, information regarding farm  
112 transfer and farm succession planning, family farm estate planning,  
113 farm transfer strategies, farm leasing, formation of farm partnerships,  
114 growing and processing crops as feedstock for biodiesel heating and

115 transportation fuels and information regarding starting a farm  
116 business.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-412(63)
Sec. 2	<i>from passage</i>	22-26l

**VA**      *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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## ***OFA Fiscal Note***

### ***State Impact:***

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 16 \$</b>	<b>FY 17 \$</b>
Department of Revenue Services	GF - Potential Revenue Loss	See Below	See Below

***Municipal Impact:*** None

### ***Explanation***

The bill results in a potential revenue loss by extending a sales tax exemption on items used in agricultural production to veterans who intend to farm or who have been farming for less than two years.

The actual revenue loss is dependent upon the number of start-up farmers who would otherwise not qualify for the exemption under current law. Under current law, a veteran (and any non-veteran start-up farmer) would qualify for the exemption if he or she carries on agricultural production as a trade or business for at least two years and meets the income and expense requirements outlined in statute. The number of start-up farmers who will qualify for the exemption as a result of the bill is unknown. But it is anticipated that each exemption permitted would result in a state revenue loss of \$1,500 on average per start-up farmer per year.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. The revenue loss would also be contingent upon the number of qualifying farmers.

**OLR Bill Analysis****HB 6375*****AN ACT ESTABLISHING A VETERANS TO AGRICULTURE PROGRAM.*****SUMMARY:**

This bill creates incentives for veterans who have never engaged in farming or have done so for less than two years to become farmers. It does this by extending an exemption from the sales and use tax on personal property sold for use in agricultural production to such veterans.

The bill also requires the departments of Agriculture, Labor, and Veterans' Affairs to collaborate to (1) encourage and help veterans to start or expand an agricultural business and (2) provide education and training opportunities to veterans in farming and agricultural operations. By law, the Department of Agriculture, under the Connecticut Farm Link program, must maintain a database of farmers and land owners who intend to sell their farm operations or agricultural land and provide certain educational information about the program on its website (see BACKGROUND).

By law, a "veteran" is an individual honorably discharged or released from active service in the U.S. Armed Forces or their reserve components, including the Connecticut National Guard performing duty under Title 32 of federal law (e.g., certain Homeland Security missions).

EFFECTIVE DATE: Upon passage

**FARMERS TAX EXEMPTION**

State law grants farmers engaged in agricultural production (see BACKGROUND) as a trade or business an exemption from the sales

and use tax for tangible personal property they use or otherwise consume exclusively for this purpose. In general, to qualify, a farmer must have gross income from agricultural production during the preceding tax year of at least \$2,500, or an average of at least \$2,500 over the preceding two tax years, as reported for federal income tax purposes.

Existing law authorizes the Department of Revenue Services to waive this income requirement for someone who purchases an agricultural trade or business from a seller holding a valid farmer tax exemption permit. The exemption is valid for two years after the purchase. A person with an exemption permit under these circumstances who does not work in agricultural production for two years after the purchase is liable for the tax.

The bill extends the waiver to include veterans who never engaged in the practice of farming or did so for less than two years, subject to the same terms that apply under current law to other purchasers.

By law, any applicant may be eligible for a farmer tax exemption permit if the applicant establishes, to the commissioner's satisfaction, that he or she intends to carry on agricultural production as a trade or business for at least two years (Conn. Agencies Reg. § 12-412 (63)-1). If a person issued the permit under this condition does not work in agricultural production for two years after the permit is issued, or does not earn and spend more than \$2,500 in the preceding year or on average over the preceding two years, he or she must pay the tax. If the person must pay under either of these conditions, he or she is ineligible for another income-requirement-waived farmer tax exemption permit.

## **BACKGROUND**

### ***Agricultural Production***

Under the law, "agricultural production" means engaging, as a trade or business, in:

1. raising and harvesting any agricultural or horticultural



- commodity;
2. dairy farming;
  3. forestry;
  4. raising, feeding, caring for, shearing, training or management of livestock, including horses, bees, poultry, fur-bearing animals or wildlife; or
  5. raising and harvesting of fish, oysters, clams, mussels or other molluscan shellfish.

***Farm Link Program***

The law requires the Department of Agriculture to establish, administer, and maintain a database of farmers and agricultural land owners who intend to sell their farm operations or agricultural land. People interested in starting or expanding an agricultural business may authorize the department to enter their names, contact information, and business intentions into the database. The department must make reasonable efforts to link people with similar interests. It must also post educational materials about the program on its website. The material must include information about farm transfer and succession planning, family farm estate planning, farm transfer strategies, farm leasing, forming farm partnerships, and starting a farm business.

**COMMITTEE ACTION**

Veterans' Affairs Committee

Joint Favorable

Yea 14      Nay 0      (03/05/2015)